Service's unique characteristics of intangibility, nonstorable- and inseparability lead them to be more difficult to evaluate than goods. A framework for including differences in consumer evaluation processes between goods and services in offered, followed by eleven specific hypotheses. Some strategic implications for service marketers are suggested.

INTRODUCTION

According to expectations, services will account for more than half of the nation's economic activity by the end of the 1980's (Peterson 1976, March 17, 1980). Providers of medical and legal services, haircuts, day care, entertainment and education, among others, will proliferate to meet the growing demands for leisure and spending which accompany the United States' rising standard of living. The primary objective of these service producers will be to identify to that of all markets—to develop and provide offerings that satisfy consumer needs, thereby ensuring their own economic survival.

To achieve this objective, service producers still need to understand how consumers choose and evaluate their offerings. Unfortunately, most of what is known about consumer evaluation processes pertains specifically to goods. The assumption appears to be that services, if not identical to goods, are at least similar enough in the consumer's mind that they are chosen and evaluated in the same manner. This paper proposes to refute this assumption by showing that service's unique characteristics necessitate different consumer evaluation processes from those used when assessing goods.

Services: Search vs. Experience vs. Credence Properties?

One framework for including differences in evaluation processes between goods and services is the classification of qualities of goods proposed by economists Philip Nelson (1973) and Peter Dressler (1974). goods are distinguished between categories of qualities of consumer goods: Search qualities, attributes which a consumer can determine prior to purchasing a product, and experience qualities, attributes which can only be discovered after purchase or during consumption. Search qualities include attributes such as color, size, price, fit, (red), hardness, smell, while experience qualities include characteristics such as taste, wearability, purchase satisfaction. Some goods, (e.g., clothing, furniture and jewelry) are high in search qualities for their attributes can be almost completely evaluated and evaluated prior to purchase. Other goods, (e.g., silverware and restaurant meals) are high in experience qualities, for their attributes cannot be shown or assessed until they have been purchased and are being consumed. Judy and Lomi (1973) add to Nelson's search classification system a third category of qualities of goods, credence qualities, which are characteristics which the consumer may find impossible to evaluate even after purchase and consumption. Examples of offerings high in credence qualities include appendix operations and brake systems in automobiles. Few consumers possess medical or mechanical skills necessary to evaluate whether these services are necessary or are performed properly, even after they have been preformed and produced by the seller.

Figure 1: Figure 1 arrays goods and services high in search, experience, and credence qualities along a continuum of evaluation ranging from "easy to evaluate" to "difficult to evaluate." At the left end of the continuum are goods high in search qualities, easiest to evaluate even before purchase. These distinct characteristics are goods and services high in search qualities, more difficult to evaluate because they must be purchased and consumed before assessment is possible. At the right end of the continuum are goods high in credence qualities, most difficult to evaluate because the consumer may be unsure of or may lack sufficient knowledge to evaluate whether the offerings satisfy given wants or needs even after consumption.

FIGURE 1
Continuum of Evaluation for Different Types of Products

Several scholars debate the characteristics which distinguish services from products (Brown 1975, Hutt 1974, Engler et al. 1977). Intangibility pertains to the inavailability of services to be seen, felt, tasted, or touched in the same manner in which goods can be seen. Services cannot be displayed, physically demonstrated or illustrated; therefore, they possess few search qualities and many experience qualities. Nonstorableness implies the inability of a producer to provide consistent performance and quality with a service. Since services cannot be separated, performance depends on some extent on level of demand; in periods of high demand, a service provider may not spend as much time or effort as much effort as in periods of low demand. Perishability also may change from day to day because different employees perform the service, or because each employee's skills and mood vary. Inexperience may result in high experience qualities, for consumers cannot be certain about the product.
performance on any given day, even if they use the same service provider on a regular basis. Irreversibility of production and consumption constitutes the final character-
istics which distinguish goods and services. While tangible goods are produced, sold and then consumed, services are sold, then produced and consumed simultaneously (Nagar 1963). Because of this irreversibility, the buyer usually participates in producing the service, thereby affecting the performance and quality of the service. A doctor's accurate diagnosis, the desired haircut from a stylist, effec-
tive stain removal from a drycleaner—all these depend on the consumer's specification, communication and partic-
tipation in the production of the service. The quality of most services, and their ability to satisfy the consumer, depends not only on how well the service provider performs, but also on how well the consumer performs.

In some, the irreversibility, nonstandardization, and tangibility of services lead them to possess few search qua-
tities and many experience qualities. Credence qua-
tities also dominate in many services, especially those pro-
vided by professionals and specialists. While customers may find it easy to evaluate the performance of everyday services (e.g., restaurant meals, housekeeping, or lawn care) prior to consumption, they may find it impossible to judge those performed by professionals and specialists with extensive training or experience in a specialized skill (e.g., medical diagnosis, television repair, or estate met-
cement).

Services: Some Hypotheses about Consumer Evaluation Processes

Because experience and credence qualities dominate in ser-
vice, consumers may employ different evaluation processes than those they use with goods, where search qualities dom-
ninate. Specific areas where characteristics of services may lead to divergent evaluation processes are: information search; evaluative criteria; and composition of the evolved set of alternatives; perceived risk; adoption of in-
novations; brand loyalty; and attribution of disatisfac-
tion.

Information Search

Consumers obtain information about products and services from personal sources (e.g., friends, family, and peers) and from nonpersonal sources (e.g., magazines, radio, and television). When purchasing goods, consumers employ both personal and nonpersonal sources to effectively convey information about search qualities.

When purchasing services, on the other hand, consumers may seek and rely to a greater extent on personal sources for several reasons. First, mass and selective media can convey information about search qualities but can communicate little about experience qualities. By asking friends or employees for personal reference, the consumer can obtain information vicariously about experience qualities. Second, impersonal sources may not be available because: (1) many service providers are local, independent merchants with no central or consistent experience nor the funds for advertising; (2) "cooperative" advertising, or advertising funded jointly by the consumer and the supplier, is used rarely by services since most local providers are both producer and re-
tailer of the service; and (3) professional associations banned advertising for so many years that both professionals and consumers tend to resist its use even though it is now permitted. Third, since consumers can discover few attrib-
utes prior to purchase of a service, they may feel greater risk to be associated with selecting an alternative. Given this risk, they may depend to a greater extent on sources such as word-of-mouth which they may perceive to be more credible and less biased.

Researchers suggest that personal sources might be more ap-
propriate in situations where experience qualities dominate.

Robertson (1973) claimed that personal influence becomes pivotal as product complexity increases and when objective standards by which to evaluate the product decrease (i.e., when experience qualities are high.) Siegrist and Landrieu (1977) revealed that managers in four service industries believe word-of-mouth to have a great influence in services. These, many managers (among them Percy and Rams 1969; Cunningham 1962, Arndt 1963) confirmed that the credibility of personal sources encourages their use in situations of high perceived risk.

Hypothesis 1: Consumers seek and rely more on infor-
mation from personal sources than from nonpersonal sources when evaluating services prior to purchase.

Consumers may find post-purchase evaluation more essential with services than with goods because services possess ex-
perience qualities which cannot be adequately assessed pri-
or to purchase. The distance-attribution model of audi-
ence response to communication (Ray 1973) describes the Sit-
uation which frequently occurs when consumers select ser-

tices: (1) the consumer selectors from among virtually indistin-
guishable alternatives; (2) through experience, the con-
sumer develops an attitude toward the service; and (3) after the development of an attitude, the consumer learns more about the service by paying attention to messages supporting his choice. In contrast both to the learning responses mod-
el and the low involvement model (Ray 1973), where consum-
ers seek information and evaluate products prior to purchase, as they do with tangible goods, the distance-response mo-
del represents the case of services where most evaluation proceeds purchase.

Hypothesis 2: Consumers engage in greater post-pur-
chase evaluation and information seeking with services than with products.

Consumers engage in more post-purchase evaluation than pre-purchase evaluation when selecting and consuming services.

Hypothesis 3: Services: Criteria for Evaluating Quality

When purchasing goods, consumers may employ multiple cues to judge quality, among them style, color, label, feel, pack-
age, brand name, and price. When purchasing services, the consumer is limited to a small number of cues: in many ca-

ues, the only cues available on which to judge quality are the service's price and the physical facilities which house the service.

Flushing, housecleaning, and law care are examples of ser-

vices where price may be the only cue consumers employ to arrive at a direct conclusion about quality. Research (Full 1964, Golder 1975, McCormick 1968) demonstrates that when the price is the only information available, consumers use it to assess quality.

With other services (e.g., haircuts, legal aid, dental ser-

vices and weight reduction), consumers may base decisions about quality on the tangible evidence of the services: the physical facilities.

With most professional services, the consumer can observe the personnel, equipment and paraphernalia used to perform the service as part of the service evaluation. The evaluation of physical facilities for this purpose has been emphasized by Siegrist (1973), Sorensen (1972) and others.

Hypothesis 4: Consumers use price and physical facili-
ties as the major cues to service qual-

ity.

Evoked Set

The evoked set of alternatives, that group of products which a consumer considers acceptable options in a given product category, is likely to be smaller with service than with goods. One reason for the reduced set involves differences

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In retailing between goods and services. To purchase goods, consumers generally shop in retail stores which display competing products in close proximity, clearly demonstrating the alternatives from which a consumer may select. To purchase services, on the other hand, the consumer visits a retail establishment (e.g., a bank, a dry cleaner, or a hair salon) which offers only a single "brand" or service. A second reason for the smaller selection set is that consumers are unlikely to find more than six or two stores providing the same services in a given geographic area, whereas they may find numerous retail establishments in that same area carrying the identical manufacturer's product. A third reason for a smaller evoked set is the difficulty of obtaining adequate pre-purchase information about services.

Faced with the difficult task of collecting and evaluating experience qualities, consumers may satisfy by selecting the first acceptable alternative rather than exhaustively considering all available alternatives.

**Hypothesis 5:** The consumer’s evoked set of alternatives is smaller with services than with products.

For nonprofessional services, consumers' decisions often entail choices between performing the services for themselves and hiring someone else to perform them. Working women may choose between cleaning their own homes or hiring housekeepers, between buying their own clothing or taking them to a tailor, even between staying home to take care of the children or engaging a day care center to provide child care. Many other services, including lawn care, tax preparation, pet care, and house cleaning, involve situations where consumers consider themselves as sources of supply.

**Hypothesis 6:** For many nonprofessional services, the consumer’s evoked set of services includes self-provision of the service.

**Innovation Diffusion**

The rate of diffusion of an innovation depends on consumers' perceptions of the innovation with regard to five characteristic: relative advantage, compatibility, communicability, trialability, and observability (Rogers 1962). A product which has a relative advantage over existing or competing products, that is compatible with existing norms, values and behaviors, that is communicable, and that is directly observable, i.e., that can be tried or tested on a limited basis, diffuses more quickly than others. A product which is complex, i.e., difficult to understand or use, diffuses more slowly than others.

Considered as a group, services are less communicable, less trialable, and far less compatible than goods. They are less communicable because they are intangible (e.g., their features cannot be displayed, illustrated, sampled or compared) and because they are often unique to each buyer (as in a medical diagnosis or dental care). Services are less trialable because they are usually impossible to sample or test on a limited basis (e.g., how does one "sample" a medical diagnosis? A lawyer's services in settling a divorce are buying "without touch") services are often complex than goods because they are composed of a bundle of different attributes, not all of which will be offered to every buyer on each purchase.

Finally, services may be incompatible with existing values and beliefs. Even if consumers are accustomed to providing the services for themselves. As an illustration, consider a novel day care center which cooks breakfast for children so that parents can arrive at work early. Mothers accustomed to performing this service for their children may resist adopting the innovation because it requires a change in habit, in behavior, even in values.

**Hypothesis 7:** Consumers adopt innovations in services more slowly than they adopt innovations in goods.

**Perceived Risk**

Elgiger and Langan (1977) report that French managers believe the level of perceived risk to be higher for consumers purchasing services as opposed to physical goods. While some degree of perceived risk probably accompanies all purchase transactions, more risk would appear to be involved in the purchase of services than in the purchase of goods because services are intangible, nonstandardized, and are usually sold without guarantees or warranties.

First, the intangible nature of services and their high levels of experience quality implies that services generally must be selected on the basis of less pre-purchase information than is the case for products. Since research (Cox and Rich 1967, Spence and al. 1970, and others) suggests that a decrease in the amount and quality of information usually is accompanied by a concomitant decrease in perceived risk, the purchasing of services may involve more perceived risk than the purchasing of goods.

Second, consumers may perceive more risk to be associated with the purchase of services because they are nonstandardized. Even though a consumer may have purchased the same service (e.g., haircut) in his or her lifetime, there will always be recurring uncertainty about the outcome and consequences each time the service is purchased.

Third, service purchases may involve more perceived risk than product purchases because, with few exceptions, services are not accompanied by warranties or guarantees. The dissatisfied service consumer can rarely "return" a service since he has already consumed it by the time he realizes his dissatisfaction.

Finally, many services (e.g., medical diagnosis or pest control) are technical or specialized that consumers possess neither the knowledge nor the experience to evaluate whether they are satisfied, even after they have consumed the service.

**Hypothesis 8:** Consumers perceive greater risks when buying services than when buying products.

**Brand Loyalty**

The degree to which consumers are committed to particular brands of goods or services depends on a number of factors: costs of changing brands, the availability of substitute, the perceived relative risk associated with the purchase and degree to which they have obtained satisfaction in the past. Because it is relatively more difficult to observe the brand loyalty, because it is more difficult to be aware of the availability of substitute, the perception of relative risk by the consumer, the availability of substitute, and the degree to which they have obtained satisfaction in the past. Because it is more difficult to observe the brand loyalty, because it is more difficult to be aware of the availability of substitute, and the degree to which they have obtained satisfaction in the past. Because it is more difficult to observe the brand loyalty,

Greater search costs and monetary costs may be involved in changing brands of services than in changing brands of goods. Because of the difficulty of obtaining information about services, consumers may be unaware of alternatives or substitutes for their brands, and may become certain of the ability of alternatives to increase satisfaction over present brands. Monetary fees may accompany brand switching in many services: physicians often require complete physical on patients' visits, dentists may charge for the new X-rays; and day care centers frequently charge "membership fees" at the outset to obtain long-term commitments.
If consumers perceive greater risks with services, as hypothesized above, they probably depend more on brand loyalty to a greater extent than when they buy-charge products. Davis (1987) stated that brand loyalty is a "means of minimizing decision effort by substituting habit for repeated, deliberate decisions" and suggested that if customers are a desire for reducing the risks of consumer decisions, He predicted a strong correlation between degrees of perceived risk and brand loyalty, and his prediction has been supported by research in perceived risk [Munawar 1987; Brown 1979; Sheehan and Venkatesh 1986].

A final reason why consumers may be more brand loyal with services in the recognition of the need for repeated purchase in order to obtain optimal satisfaction from the service. Accounting for perception loyalty allows the marketer to gain knowledge of the consumer's tastes and preferences, insurance better treatment, and encourages more interest in the consumer's satisfaction. Therefore, the consumer can exhibit greater brand loyalty to order to cultivate a satisfying relationship with the seller.

Hypothesis 9: Brand switching is less frequent with services than with products.

Attrition of Dissatisfaction

When consumers are disappointed with purchases—because the products do not fulfill the given needs, because they did not perform satisfactory, or because they were not worth the price—they may attribute their dissatisfaction to a number of different sources, ranging from the producers, the retailers, or themselves. Because consumers participate in a greater extent in the definition and production of services, they may feel more responsible for their dissatisfaction when they purchase services than when they purchase goods. As an example, consider a female consumer purchasing a haircut; receiving the cut she desires depends in part upon her skill level and the skill of the stylist. If disappointed, she may blame the stylist (for lack of skill) or herself (for going stylish or for not communicating her own needs clearly).

The quality of services depends on consumer definitions: a service's outcome depends on a consumer's cognitive history and a clear articulation of a service's definition and performance axes. The consumer's record depends on services provided by the service provider. Failures to obtain satisfaction with any of these services may not be blamed on the service provider and may be blamed on the customer, since the consumer must adequately fulfill her role in the transaction process.

Hypothesis 10: Consumers are more service-oriented than observers attribute to their own ability to specify or perform their part of the service.

Hypothesis 11: Consumers may complain less frequently about services than about products due to the simple fact that they themselves are partially responsible for their dissatisfaction.

Summary and Conclusion

Service's unique characteristics of intangibility, perishability, and heterogeneity suggest that they are particularly good for this analysis.

Services: Strategic Implications for Marketers

If research confirms the hypothesis about services, service providers may need to alter their marketing mixes to recognize different consumer evaluation processes. The high levels of expertise and experience qualities postulated to be characteristic of services require an alternative approach to utilization, promotion, price, promotion, and other marketing strategies.

Information Provision: If consumers employ personal sources more frequently than nonpersonal sources when seeking information about services prior to purchase, the marketer's task will be to reduce the proportion of advertising in the personal mix. Alternatively, the marketer may want to elicit advertising to stimulate and simulate user-to-user communication (e.g., through congressional advertisements or by developing advertising high in conversational validity) (Kotler 1980). If consumers seek more post-purchase information with services, the marketer's task will be to concentrate on communication efforts to reduce dimension of perceived quality.

Quality Image: The potential importance of price and physical facilities as indicators of service quality suggest that the marketer should employ price cues on his own initiative. If the service desires to position his service as a high-quality offering, for example, he may seek to set a price that is above that of competing services. He should also want to match his physical facilities to the desired perception of quality (Bowman 1974) so that the tangible evidence of the service provides the atmosphere.

The Consumer as Compucon: Nonpersonal service providers today must recognize that they often replace or compete with the consumer, which may greatly increase standards from the consumer and more individualized, personal attention from the service provider. Consumers know what they expect from providers of housing, or from any of their daily care because they know what they are accustomed to providing for themselves. The alert service provider will be certain to research consumers' expectations and demands in each market segment.

Innovation Diffusion: Marketers may need to concentrate on incentives to retail when introducing new services. The information innovation—evaluation stages of the adoption process may be heightened by the difficulty of the influence and efficiency of communicating information about incompatibility, offering free trials, soliciting concepts, and supply may be based on alternative procedures to speed diffusion of innovations in services.

Reduction of Perceived Risk: The hypothesis increase in reducing perceived risks of purchasing services suggests the use of strategies designed to reduce risk, where appropriate, guarantees or satisfaction may be offered. To the extent possible, service providers should emphasize employee training and employee strategies to speed diffusion of innovations in services.

Application of Brand Loyalty: The fact that one's own customers may be brand loyal with services but not a product, the fact that the numerical differences may be difficult to capture, may create special challenges. The future may engage the customer in conversations and strategy to the extent of competitions, emphasizing innovations and devices which will improve his competitive edge.

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